

THRIVE BATON ROUGE

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2013

THRIVE BATON ROUGE

Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Thrive Baton Rouge
Baton Rouge, Louisiana

We have audited the accompanying financial statements of **THRIVE BATON ROUGE** (a non-profit organization) (the School) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THRIVE BATON ROUGE** as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Certified Public Accountants

Baton Rouge, Louisiana
September 30, 2013

THRIVE BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2013

(See Independent Auditors' Report)

ASSETS2013**CURRENT ASSETS**

Cash	\$ 241,400
Receivables - net	31,296
Prepaid expenses	<u>12,625</u>
Total current assets	285,321

PROPERTY, net

53,826

OTHER ASSETS20,000

Total assets

\$ 359,147**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts payable	\$ 24,227
Accrued expenses	<u>23,708</u>
Total current liabilities	<u>47,935</u>

NET ASSETS

Unrestricted	<u>311,212</u>
Total liabilities and net assets	<u>\$ 359,147</u>

The accompanying notes to financial statements
are an integral part of this statement.

THRIVE BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

(See Independent Auditors' Report)

	Unrestricted	Temporarily Restricted	2013
REVENUES AND SUPPORT			
Grants:			
MFP	\$ 210,561	\$ -	\$ 210,561
Federal grants	21,405	-	21,405
State and local grants	23,313	-	23,313
Contributions:			
School	111,000	-	111,000
Residential	419,750	4,644	424,394
Changes in net asset restrictions:			
Released from restrictions	<u>4,644</u>	<u>(4,644)</u>	<u>-</u>
Total revenues and support	<u>790,673</u>	<u>-</u>	<u>790,673</u>
EXPENSES			
School activities:			
Instructional	214,380	-	214,380
Residential	251,432	-	251,432
General and administrative	<u>171,153</u>	<u>-</u>	<u>171,153</u>
Total expenses	<u>636,965</u>	<u>-</u>	<u>636,965</u>
Increase in net assets	153,708	-	153,708
NET ASSETS			
Beginning of year	<u>157,504</u>	<u>-</u>	<u>157,504</u>
End of year	<u>\$ 311,212</u>	<u>\$ -</u>	<u>\$ 311,212</u>

The accompanying notes to financial statements
are an integral part of this statement.

THRIVE BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 2013

(See Independent Auditors' Report)

	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 153,708
Adjustments for non-cash items:	
Depreciation	6,623
Change in operating assets and liabilities:	
Accounts receivable and prepaid expenses	6,854
Accounts payable and other liabilities	<u>39,894</u>
Net cash provided by operating activities	<u>207,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payment of deposit	(20,000)
Purchase of equipment	<u>(60,449)</u>
Net cash used by investing activities	<u>(80,449)</u>
Net increase in cash	126,630
CASH	
Beginning of year	<u>114,770</u>
End of year	<u><u>\$ 241,400</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

THRIVE BATON ROUGE

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Thrive Baton Rouge (the School) was incorporated on March 1, 2011, as a non-profit corporation under the laws of the State of Louisiana. The School operates under a contract with the East Baton Rouge Parish School System (EBRP) to establish a Type 1 charter school from July 1, 2012 through June 30, 2015, and may be renewed for successive periods of ten (10) years subject to the review of EBRP of the School's operations and compliance with regulatory and contractual requirements. Thrive is a public, tuition free, charter boarding school for students in sixth through twelfth grade serving at-risk students from East Baton Rouge Parish. The School opened with approximately 20 sixth grade students for the 2012-2013 school year.

Financial statement presentation

The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are described as follows:

Unrestricted Net Assets are net assets that are for general use and not subjected to restriction.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that the School maintains the contribution permanently. The School did not have any permanently restricted net assets at June 30, 2013.

The statement of activities presents expenses of the School's operations functionally between program services, and general and administrative.

Revenues

The School receives a large portion of its revenue from the Minimum Foundation Program (MFP) through the East Baton Rouge Parish School Board. The amount of MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The School also receives federal and private sector funding. Federal funds are through the Louisiana Department of Education or the East Baton Rouge Parish School Board. Substantially all revenues are unrestricted as to use.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation.

Fair value financial instruments

The carrying value of cash, receivables, prepaid expenses, accounts payable, and accrued expenses approximates fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

Cash

Cash, for purposes of the statement of cash flows, consists of cash on hand, demand deposit and savings accounts. The School typically maintains cash in local bank that may, at times, exceed FDIC insured limits of \$250,000. Management believes the risk to be minimal.

Receivables

The receivables are stated at the amount management expects to collect. Management considers these amounts to be collectible; therefore, no allowance has been recorded. At June 30, 2013, the School had no receivables outstanding for longer than 90 days.

Property

Property is recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. Expenditures for maintenance, repairs and minor renewals are expensed as incurred.

Functional expenses

The School allocates its expenses on a functional basis among its various programs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-exempt status

The School is a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management of the School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax issues. The School's open audit periods are 2011 through 2013.

Paid time off

The School's policy states that employees can earn up to ten days of vacation and sick leave during the fiscal year and can carry over up to fifteen days into the next fiscal or school year. Paid time off in excess of fifteen days is forfeited if not used by June 30th of each year.

NOTE 2 - CONCENTRATIONS

The School receives the majority of its operating revenue from contributions received from private foundations and individuals. The remaining revenue is received as grants from the State of Louisiana, East Baton Rouge Parish School System, and from federal agencies. The percentage of revenue and receivables from these sources are as follows:

	<u>Revenues</u>	<u>Receivables</u>
Contributions from private foundations and individuals	68%	-
Minimum Foundation Program	26%	-
State and Local Grants	3%	55%
Federal Grants	3%	28%
Other	-	17%
Total	<u>100%</u>	<u>100%</u>

NOTE 3 - LEASES

The School has entered into a lease agreement for school and dormitory space at a rental rate of \$1.11 per square foot, or \$14,796 per month, expiring on July 1, 2013. Total rental expense under this lease for the year ended June 30, 2013 was approximately \$152,000. The lease may be extended for an additional three year period. In July 2013, the lease was extended for one year, with the space rented being expanded, bringing the monthly rent to \$24,238 per month. The lease commitment is \$290,856 for the year ended June 30, 2014.

NOTE 4 - PROPERTY

Equipment, related service lives, and accumulated depreciation at June 30, 2013 were as follows:

	<u>Estimated Service Lives</u>	<u>Amount</u>
Equipment	3 years	\$ 38,263
Furniture and fixtures	5 years	20,936
Leasehold improvements	3 years	<u>1,250</u>
		60,449
Less accumulated depreciation		<u>(6,623)</u>
		<u><u>\$ 53,826</u></u>

Depreciation expense was \$6,623 for the year ended June 30, 2013.

NOTE 5 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which was the date the financial statements were available to be issued.

In May 2013, Thrive signed a purchase agreement for \$1.2 million to acquire property in the South Baton Rouge area. A \$20,000 deposit was made as part of the purchase agreement; this amount has been recorded on the statement of financial position as other assets. The School is conducting a capital campaign to finance the property purchase. Approximately \$400,000 of funds were raised between July 1, 2013 and the date of this report. In September 2013, the School filed plans with the East Baton Rouge Parish Planning Commission to build a new campus on the property.

SUPPLEMENTARY INFORMATION

THRIVE BATON ROUGE

Baton Rouge, Louisiana

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2013

(See Independent Auditors' Report)

	Function			Totals
	School Activities		General and	2013
	Instructional	Residential	Administrative	
Salaries and wages	\$ 121,956	\$ 76,816	\$ 65,149	\$ 263,921
Rent	38,276	114,236	-	152,512
Consultants	-	-	79,519	79,519
Insurance	-	-	16,973	16,973
Food and beverage	14,331	18,504	-	32,835
Materials and supplies	10,902	14,122	1,187	26,211
Repairs and maintenance	9,654	10,595	-	20,249
Utilities	4,809	14,426	-	19,235
Travel	7,914	821	-	8,735
Depreciation	-	-	6,623	6,623
EBRPS administrative fee	4,211	-	-	4,211
Development	992	107	-	1,099
Recruiting	899	70	-	969
Fundraising	54	54	-	108
Other	382	1,681	1,702	3,765
Total expenses	<u>\$ 214,380</u>	<u>\$ 251,432</u>	<u>\$ 171,153</u>	<u>\$ 636,965</u>

Special Independent Auditors' Report

THRIVE BATON ROUGE

Baton Rouge, Louisiana

June 30, 2013



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Thrive Baton Rouge
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **THRIVE BATON ROUGE** (the School) (a non-profit organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and questioned costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

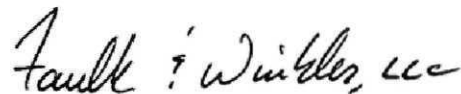
Thrive's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana
September 30, 2013

THRIVE BATON ROUGE

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2013

2013 - 1 Credit Card Usage

Observation: During the audit process, it was determined that several receipts and/or other supporting documentation for charges made to credit cards were not maintained.

Recommendation: We recommend that management require that supporting receipts be submitted for all charges for which it is practical to obtain a receipt. Also, we recommend that the credit card bill be reviewed and properly authorized on a monthly basis with the authorization noted on the individual receipts or the bill itself.

Management's response: Management agrees with the finding and has established a policy incorporating the procedures as recommended above. These policies are currently being implemented.